

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
IOWA VALLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Jane Fry	President	2013
Dennis Roberts	Vice President	2011
Mark Swift	Board Member	2011
Frank Davis	Board Member	2013
Dale Slaymaker	Board Member	2013
<u>School Officials</u>		
Alan Jensen	Superintendent	2013
Lynda K. Johnson	District Secretary/Treasurer	2011
Harned & McMeen	Attorney	2011
Gruhn Law Firm	Attorney	2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2012 on our consideration of Iowa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
January 24, 2012

Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,155,126	\$ 29,659	\$ 3,184,785
Receivables:			
Property tax:			
Current year	32,388	-	32,388
Succeeding year	2,145,097	-	2,145,097
Income surtax	388,047	-	388,047
Interfund receivable (payable) (note 3)	42,404	(42,404)	-
Accounts	132,064	-	132,064
Due from other governments	127,106	2,917	130,023
Inventories	-	11,717	11,717
Prepaid expenses	6,575	-	6,575
Capital assets, net of accumulated depreciation (note 5)	5,020,993	27,890	5,048,883
Total assets	11,049,800	29,779	11,079,579
Liabilities			
Accounts payable	296,245	-	296,245
Salaries and benefits payable	597,787	16,949	614,736
Accrued interest payable	6,230	-	6,230
Deferred revenue:			
Succeeding year property tax	2,145,097	-	2,145,097
Other	234,772	2,326	237,098
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	68,548	-	68,548
Bonds payable	185,000	-	185,000
Portion due after one year:			
Early retirement	17,100	-	17,100
Bonds payable	1,725,000	-	1,725,000
Net OPEB liability	16,600	-	16,600
Total liabilities	5,292,379	19,275	5,311,654

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,110,993	\$ 27,890	\$ 3,138,883
Restricted for:			
Categorical funding (note 11)	335,760	-	335,760
Management levy	47,963	-	47,963
Physical plant and equipment levy	318,082	-	318,082
Student activities	155,441	-	155,441
Capital projects	596,262	-	596,262
Unrestricted	<u>1,192,920</u>	<u>(17,386)</u>	<u>1,175,534</u>
Total net assets	<u>\$ 5,757,421</u>	<u>\$ 10,504</u>	<u>\$ 5,767,925</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction	\$ 4,218,150	\$ 353,877	\$ 1,061,563	\$ -
Support services:				
Student services	108,882	-	42,766	-
Instructional staff services	109,409	-	38,896	-
Administration services	560,846	-	-	-
Operation and maintenance of plant services	434,989	513	-	-
Transportation services	180,082	-	1,011	-
	<u>1,394,208</u>	<u>513</u>	<u>82,673</u>	<u>-</u>
Non-instructional programs	<u>5,598</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	48,580	-	-	6,000
Long-term debt interest and fiscal charges	80,421	-	-	-
AEA flowthrough	257,542	-	257,542	-
Depreciation (unallocated) *	146,350	-	-	-
	<u>532,893</u>	<u>-</u>	<u>257,542</u>	<u>6,000</u>
Total governmental activities	<u>6,150,849</u>	<u>354,390</u>	<u>1,401,778</u>	<u>6,000</u>
Business-Type Activities:				
Support services:				
Food service operations	8,917	-	-	-
Other enterprise operations	455	-	-	-
	<u>9,372</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (2,802,710)	\$ -	\$ (2,802,710)
<hr/>		
(66,116)	-	(66,116)
(70,513)	-	(70,513)
(560,846)	-	(560,846)
(434,476)	-	(434,476)
(179,071)	-	(179,071)
(1,311,022)	-	(1,311,022)
<hr/>		
(5,598)	-	(5,598)
<hr/>		
(42,580)	-	(42,580)
(80,421)	-	(80,421)
-	-	-
(146,350)	-	(146,350)
(269,351)	-	(269,351)
<hr/>		
(4,388,681)	-	(4,388,681)
<hr/>		
-	(8,917)	(8,917)
-	(455)	(455)
-	(9,372)	(9,372)
<hr/>		

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 264,667	\$ 146,887	\$ 130,308	-
Other enterprise operations	20,919	25,342	7,840	-
	<u>285,586</u>	<u>172,229</u>	<u>138,148</u>	<u>-</u>
Total business-type activities	<u>294,958</u>	<u>172,229</u>	<u>138,148</u>	<u>-</u>
Total	\$ <u>6,445,807</u>	\$ <u>526,619</u>	\$ <u>1,539,926</u>	\$ <u>6,000</u>

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state and federal grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 12,528	\$ 12,528
-	12,263	12,263
-	24,791	24,791
-	15,419	15,419
(4,388,681)	15,419	(4,373,262)
\$ 1,836,609	\$ -	\$ 1,836,609
81,088	-	81,088
52,991	-	52,991
403,504	-	403,504
498,786	-	498,786
2,955,973		2,955,973
8,965	11	8,976
174,293	-	174,293
6,012,209	11	6,012,220
1,623,528	15,430	1,638,958
4,133,893	(4,926)	4,128,967
\$ 5,757,421	\$ 10,504	\$ 5,767,925

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>
Assets			
Cash and pooled investments	\$ 2,249,267	\$ 604,536	\$ 295,041
Receivables:			
Property tax:			
Current year	28,188	845	3,355
Succeeding year	2,000,340	21,599	123,158
Income surtax	232,828	155,219	-
Interfund receivable (note 3)	42,404	-	-
Accounts	48,856	83,208	-
Due from other governments	51,320	75,786	-
Prepaid expenses	6,575	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>4,659,778</u>	\$ <u>941,193</u>	\$ <u>421,554</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 287,495	\$ 5,250	\$ 3,500
Salaries and benefits payable	595,462	-	2,325
Deferred revenue:			
Succeeding year property tax	2,000,340	21,599	123,158
Other	467,600	155,219	-
Total liabilities	<u>3,350,897</u>	<u>182,068</u>	<u>128,983</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	6,575	-	-
Restricted for:			
Categorical funding (note 11)	335,760	-	-
Debt service	-	-	3,519
Management levy purposes	-	-	133,611
Student activities	-	-	155,441
School infrastructure	-	596,262	-
Physical plant and equipment	-	162,863	-
Unassigned	966,546	-	-
Total fund balances	<u>1,308,881</u>	<u>759,125</u>	<u>292,571</u>
Total liabilities and fund balances	<u>\$ 4,659,778</u>	<u>\$ 941,193</u>	<u>\$ 421,554</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances of governmental funds \$

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in the governmental funds.

Other long-term assets, including income surtax receivable, are not available to
pay current period expenditures and, therefore, are deferred in the
governmental funds.

The balance of the Internal Service Fund, reported as a proprietary fund, is
included in the government-wide statements because of the relationship
of the internal transactions to the government as a whole.

Accrued interest payable on long-term liabilities is not due and payable in
the current period and, therefore, is not reported as a liability in the
governmental funds.

Long-term liabilities, including early retirement, G.O. bonds payable, and net
OPEB liability, are not due and payable in the current period and, therefore,
are not reported as liabilities in the governmental funds.

Net assets of governmental activities \$

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>
Revenues:			
Local sources:			
Local tax	\$ 1,962,127	\$ 702,958	\$ 206,191
Tuition	180,459	-	-
Other	96,502	112,266	161,802
State sources	3,706,348	38	149
Federal sources	639,280	-	-
Total revenues	<u>6,584,716</u>	<u>815,262</u>	<u>368,142</u>
Expenditures:			
Current:			
Instruction	<u>3,954,118</u>	<u>4,385</u>	<u>250,950</u>
Support services:			
Student services	108,797	-	85
Instructional staff services	104,159	5,250	-
Administration services	543,058	1,590	10,959
Operation and maintenance of plant services	389,087	-	38,232
Transportation services	148,090	13,500	9,590
	<u>1,293,191</u>	<u>20,340</u>	<u>58,866</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>5,250</u>
Other expenditures:			
Facilities acquisition	-	786,723	-
Long term debt:			
Principal	-	-	175,000
Interest and fiscal charges	-	-	80,895
AEA flowthrough	257,542	-	-
	<u>257,542</u>	<u>786,723</u>	<u>255,895</u>
Total expenditures	<u>5,504,851</u>	<u>811,448</u>	<u>570,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,079,865</u>	<u>3,814</u>	<u>(202,819)</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>
Other financing sources (uses):			
Interfund transfers in (note 4)	\$ -	\$ -	\$ 175,000
Interfund transfers out (note 4)	-	(175,000)	-
Total other financing sources (uses)	-	(175,000)	175,000
Net change in fund balances	1,079,865	(171,186)	(27,819)
Fund balances beginning of year, as restated (note 12)	229,016	930,311	320,390
Fund balances end of year	\$ <u>1,308,881</u>	\$ <u>759,125</u>	\$ <u>292,571</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, capital contribution and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 751,643
Capital contribution	6,000
Depreciation expense	<u>(197,010)</u>

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities.

The change in balance of the Internal Service Fund represents an overcharge to the governmental funds for services rendered and is therefore included in the government-wide statements as an adjustment to expenses.

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	12,954
Net OPEB liability	<u>(6,500)</u>

Change in net assets of governmental activities \$

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 29,659	\$ -	\$ 29,659	\$ 6,282
Due from other governments	-	2,917	2,917	-
Inventories	11,717	-	11,717	-
Capital assets, net of accumulated depreciation (note 5)	27,890	-	27,890	-
Total assets	<u>69,266</u>	<u>2,917</u>	<u>72,183</u>	<u>6,282</u>
Liabilities				
Interfund payable (note 3)	-	42,404	42,404	-
Salaries and benefits payable	15,369	1,580	16,949	-
Deferred revenue	2,326	-	2,326	-
Total liabilities	<u>17,695</u>	<u>43,984</u>	<u>61,679</u>	<u>-</u>
Net Assets				
Invested in capital assets	27,890	-	27,890	-
Unrestricted	<u>23,681</u>	<u>(41,067)</u>	<u>(17,386)</u>	<u>6,282</u>
Total net assets	<u>\$ 51,571</u>	<u>\$ (41,067)</u>	<u>\$ 10,504</u>	<u>\$ 6,282</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 146,887	\$ 33,182	\$ 180,069	\$ 17,750
Operating expenses:				
Support services:				
Salaries	135	313	448	-
Benefits	21	46	67	-
Purchased services	6,503	96	6,599	17,905
Supplies	2,258	-	2,258	-
	<u>8,917</u>	<u>455</u>	<u>9,372</u>	<u>17,905</u>
Non-instructional programs:				
Salaries	77,712	16,633	94,345	-
Benefits	38,763	2,463	41,226	-
Supplies	144,087	1,823	145,910	-
Depreciation	4,105	-	4,105	-
	<u>264,667</u>	<u>20,919</u>	<u>285,586</u>	<u>-</u>
Total expenses	<u>273,584</u>	<u>21,374</u>	<u>294,958</u>	<u>17,905</u>
Operating income (loss)	(126,697)	11,808	(114,889)	(155)
Non-operating revenues:				
Interest on investments	9	2	11	5
State sources	2,749	-	2,749	-
Federal sources	127,559	-	127,559	-
Total non-operating revenues	<u>130,317</u>	<u>2</u>	<u>130,319</u>	<u>5</u>
Change in net assets	3,620	11,810	15,430	(150)
Net assets beginning of year	<u>47,951</u>	<u>(52,877)</u>	<u>(4,926)</u>	<u>6,432</u>
Net assets end of year	<u>\$ 51,571</u>	<u>\$ (41,067)</u>	<u>\$ 10,504</u>	<u>\$ 6,282</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 146,354	\$ -	\$ 146,354	\$ -
Cash received from miscellaneous operating activities	1,012	30,265	31,277	17,750
Cash payments to employees for services	(115,884)	(26,297)	(142,181)	-
Cash payments to suppliers for goods or services	(133,975)	(1,919)	(135,894)	(17,905)
Net cash provided by (used by) operating activities	(102,493)	2,049	(100,444)	(155)
Cash flows from non-capital financing activities:				
Decrease in due to other funds	-	(2,051)	(2,051)	-
State grants received	2,749	-	2,749	-
Federal grants received	106,072	-	106,072	-
Net cash provided by (used by) non-capital financing activities	108,821	(2,051)	106,770	-
Cash flows from investing activities:				
Interest on investments	9	2	11	5
Net increase (decrease) in cash and cash equivalents	6,337	-	6,337	(150)
Cash and cash equivalents beginning of year	23,322	-	23,322	6,432
Cash and cash equivalents end of year	\$ 29,659	\$ -	\$ 29,659	\$ 6,282

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (126,697)	\$ 11,808	\$ (114,889)	\$ (155)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	4,105	-	4,105	-
Commodities used	21,487	-	21,487	-
(Increase) in accounts receivable	-	(2,917)	(2,917)	-
(Increase) in inventories	(2,614)	-	(2,614)	-
(Decrease) increase in salaries and benefits payable	747	(6,842)	(6,095)	-
Increase in deferred revenue	479	-	479	-
Net cash provided by (used by) operating activities	\$ <u>(102,493)</u>	\$ <u>2,049</u>	\$ <u>(100,444)</u>	\$ <u>(155)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$21,487 of federal commodities.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>7,035</u>	\$ <u>112,879</u>
Liabilities:		
Due to other organizations	<u>-</u>	<u>112,879</u>
Net assets:		
Reserved for scholarships	\$ <u><u>7,035</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Fundraisers and contributions	\$ 5,750	
Interest	<u>2,529</u>	
Total additions	<u>8,279</u>	
Deductions:		
Support services:		
Scholarships awarded		9,025
Loss on investments		<u>105</u>
Total deductions		<u>9,130</u>
Change in net assets		(851)
Net assets beginning of year		<u>7,886</u>
Net assets end of year	\$	<u><u>7,035</u></u>
See notes to financial statements.		

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Iowa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned grant revenues and unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments as follows:

	<u>Value</u>
Mutual Funds	\$ 15,968
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>58,352</u>
	<u>\$ 74,320</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Mutual Funds are stated at fair value, determined based on securities traded on a national or international exchange based on the last reported sales price at current exchange rates.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investments in the Mutual Fund are not rated.

Note 3. Interfund Receivables/Payables

The detail of the District's interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, Preschool	\$ <u>42,404</u>

This amount arises due to pooled cash funds.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>175,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,500	\$ 6,000	\$ -	\$ 259,500
Construction in progress	76,714	664,901	741,615	-
Total capital assets not being depreciated	<u>330,214</u>	<u>670,901</u>	<u>741,615</u>	<u>259,500</u>
Capital assets being depreciated:				
Buildings	6,812,202	741,615	-	7,553,817
Improvements other than buildings	345,278	-	-	345,278
Furniture and equipment	796,541	86,742	28,092	855,191
Total capital assets being depreciated	<u>7,954,021</u>	<u>828,357</u>	<u>28,092</u>	<u>8,754,286</u>
Less accumulated depreciation for:				
Buildings	2,883,097	144,438	-	3,027,535
Improvements other than buildings	314,118	8,316	-	322,434
Furniture and equipment	626,660	44,256	28,092	642,824
Total accumulated depreciation	<u>3,823,875</u>	<u>197,010</u>	<u>28,092</u>	<u>3,992,793</u>
Total capital assets being depreciated, net	<u>4,130,146</u>	<u>631,347</u>	<u>-</u>	<u>4,761,493</u>
Governmental activities capital assets, net	<u>\$ 4,460,360</u>	<u>\$ 1,302,248</u>	<u>\$ 741,615</u>	<u>\$ 5,020,993</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 82,183	\$ -	\$ -	\$ 82,183
Less accumulated depreciation	<u>50,188</u>	<u>4,105</u>	<u>-</u>	<u>54,293</u>
Business-type activities capital assets, net	<u>\$ 31,995</u>	<u>\$ (4,105)</u>	<u>\$ -</u>	<u>\$ 27,890</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 16,393
Support services:	
Administration	4,543
Operation and maintenance of plant services	7,322
Transportation	<u>22,402</u>
	50,660
Unallocated depreciation	<u>146,350</u>

Total governmental activities depreciation expense	<u>\$ 197,010</u>
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Business-type activities:

Food service operations	<u>\$ 4,105</u>
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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Early Retirement	General Obligation Bonds	Net OPEB Liability	Total
Balance beginning of year	\$ 98,602	\$ 2,085,000	\$ 10,100	\$ 2,193,702
Additions	56,398	-	6,500	62,898
Reductions	69,352	175,000	-	244,352
Balance end of year	<u>\$ 85,648</u>	<u>\$ 1,910,000</u>	<u>\$ 16,600</u>	<u>\$ 2,012,248</u>
Due within one year	<u>\$ 68,548</u>	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 253,548</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for the additional years through June 30, 2010 and June 30, 2011. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee is equal to a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

The District offered various plans in prior years as early retirement incentives. Details of these plans are available upon request.

At June 30, 2011, the District had obligations to seven participants with a total liability of \$85,648. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$69,352. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.45 %	\$ 185,000	\$ 74,758	\$ 259,758
2013	3.55	190,000	68,375	258,375
2014	3.70	195,000	61,630	256,630
2015	3.80	205,000	54,415	259,415
2016	3.90	210,000	46,625	256,625
2017	4.00	215,000	38,435	253,435
2018	4.10	230,000	29,835	259,835
2019	4.20	235,000	20,405	255,405
2020	4.30	245,000	10,535	255,535
		<u>\$ 1,910,000</u>	<u>\$ 405,013</u>	<u>\$ 2,315,013</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 56 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	35,400
Interest on net OPEB obligation		200
Adjustment to annual required contribution		(2,300)
Annual OPEB cost		<u>33,300</u>
Contributions made		<u>(26,800)</u>
Increase in net OPEB obligation		6,500
Net OPEB obligation beginning of year		<u>10,100</u>
Net OPEB obligation end of year	\$	<u><u>16,600</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$26,800 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 33,300	80.5%	\$ 16,600

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$350,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$350,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,307,000, and the ratio of the UAAL to covered payroll was 10.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$228,728, \$224,705, and \$217,874, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Iowa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$257,542 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Returning dropout and dropout prevention	\$ 116,154
Gifted and talented program	81,028
Teacher salary supplement	49,905
Professional development	41,832
Professional development for model core curriculum	22,304
Four-year old preschool	19,735
Market factor incentives	4,555
Home school assistance program	247
Total	<u>\$ 335,760</u>

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 749,603	\$ 180,708
Change in fund type classification per implementation of GASB Statement No. 54	<u>180,708</u>	<u>(180,708)</u>
Balances July 1, 2010, as restated	<u>\$ 930,311</u>	<u>\$ -</u>

Note 13. Financial Condition

At June 30, 2011 the Enterprise Fund, Preschool had a deficit unrestricted net assets balance of \$41,067. In addition, the District's business-type activities had a deficit unrestricted net assets balance of \$17,386 at June 30, 2011.

Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,422,305	\$ 180,080	\$ 3,602,385	\$ 3,582,128	\$ 20,257
Intermediate sources	-	-	-	1,000	(1,000)
State sources	3,706,535	2,749	3,709,284	3,962,087	(252,803)
Federal sources	639,280	127,559	766,839	304,000	462,839
Total revenues	7,768,120	310,388	8,078,508	7,849,215	229,293
EXPENDITURES/EXPENSES:					
Instruction	4,209,453	-	4,209,453	4,653,407	443,954
Support services	1,372,397	9,372	1,381,769	2,002,650	620,881
Non-instructional programs	5,250	285,586	290,836	385,000	94,164
Other expenditures	1,300,160	-	1,300,160	1,716,432	416,272
Total expenditures/expenses	6,887,260	294,958	7,182,218	8,757,489	1,575,271
Excess (deficiency) of revenues over (under) expenditures/ expenses	880,860	15,430	896,290	(908,274)	1,804,564
Balance beginning of year	1,479,717	(4,926)	1,474,791	1,589,044	(114,253)
Balance end of year	\$ <u>2,360,577</u>	\$ <u>10,504</u>	\$ <u>2,371,081</u>	\$ <u>680,770</u>	\$ <u>1,690,311</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 376	\$ 376	0.0%	\$ 3,437	10.9%
2011	July 1, 2009	-	350	350	0.0%	3,307	10.6%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 133,798	\$ 159,016	\$ 2,227	\$ 295,041
Receivables:				
Property tax:				
Current year	2,063	-	1,292	3,355
Succeeding year	35,000	-	88,158	123,158
Total assets	\$ 170,861	\$ 159,016	\$ 91,677	\$ 421,554
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 3,500	\$ -	\$ 3,500
Salaries and benefits	2,250	75	-	2,325
Deferred revenue:				
Succeeding year property tax	35,000	-	88,158	123,158
Total liabilities	37,250	3,575	88,158	128,983
Fund balances:				
Restricted for:				
Debt service	-	-	3,519	3,519
Management levy purposes	133,611	-	-	133,611
Student activities	-	155,441	-	155,441
Total fund balances	133,611	155,441	3,519	292,571
Total liabilities and fund balances	\$ 170,861	\$ 159,016	\$ 91,677	\$ 421,554

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 125,161	\$ -	\$ 81,030	\$ 206,191
Other	7,653	154,145	4	161,802
State sources	92	-	57	149
Total revenues	<u>132,906</u>	<u>154,145</u>	<u>81,091</u>	<u>368,142</u>
Expenditures:				
Current:				
Instruction	78,869	172,081	-	250,950
Support services:				
Student services	85	-	-	85
Administration services	10,942	17	-	10,959
Operation and maintenance of plant services	38,232	-	-	38,232
Transportation services	9,590	-	-	9,590
Non instructional programs	5,250	-	-	5,250
Other expenditures:				
Long term debt:				
Principal	-	-	175,000	175,000
Interest and fiscal charges	-	-	80,895	80,895
Total expenditures	<u>142,968</u>	<u>172,098</u>	<u>255,895</u>	<u>570,961</u>
Deficiency of revenues under expenditures	(10,062)	(17,953)	(174,804)	(202,819)
Other financing sources:				
Interfund transfers in	-	-	175,000	175,000
Net change in fund balances	\$ (10,062)	\$ (17,953)	\$ 196	\$ (27,819)
Fund balances beginning of year	<u>143,673</u>	<u>173,394</u>	<u>3,323</u>	<u>320,390</u>
Fund balances end of year	<u>\$ 133,611</u>	<u>\$ 155,441</u>	<u>\$ 3,519</u>	<u>\$ 292,571</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 440,509	\$ 162,018	\$ 2,009	\$ 604,536
Receivables:				
Property tax:				
Current year	-	845	-	845
Succeeding year	-	21,599	-	21,599
Income surtax	-	155,219	-	155,219
Accounts	83,208	-	-	83,208
Due from other governments	75,786	-	-	75,786
Total assets	\$ 599,503	\$ 339,681	\$ 2,009	\$ 941,193
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,250	\$ -	\$ -	\$ 5,250
Deferred revenue:				
Succeeding year property tax	-	21,599	-	21,599
Other	-	155,219	-	155,219
Total liabilities	5,250	176,818	-	182,068
Fund balances:				
Restricted for:				
School infrastructure	594,253	-	2,009	596,262
Physical plant and equipment	-	162,863	-	162,863
Total fund balances	594,253	162,863	2,009	759,125
Total liabilities and fund balances	\$ 599,503	\$ 339,681	\$ 2,009	\$ 941,193

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 498,786	\$ 204,172	\$ -	\$ 702,958
Other	111,222	1,044	-	112,266
State sources	-	38	-	38
Total revenues	<u>610,008</u>	<u>205,254</u>	<u>-</u>	<u>815,262</u>
Expenditures:				
Current:				
Instruction	4,385	-	-	4,385
Support services:				
Instructional staff services	5,250	-	-	5,250
Administration services	1,590	-	-	1,590
Transportation services	-	13,500	-	13,500
Other expenditures:				
Facilities acquisition	752,124	34,599	-	786,723
Total expenditures	<u>763,349</u>	<u>48,099</u>	<u>-</u>	<u>811,448</u>
Excess (deficiency) of revenues over (under) expenditures	(153,341)	157,155	-	3,814
Other financing sources (uses):				
Interfund transfers out	-	(175,000)	-	(175,000)
Net change in fund balances	(153,341)	(17,845)	-	(171,186)
Fund balances beginning of year, as restated	<u>747,594</u>	<u>180,708</u>	<u>2,009</u>	<u>930,311</u>
Fund balances end of year	<u>\$ 594,253</u>	<u>\$ 162,863</u>	<u>\$ 2,009</u>	<u>\$ 759,125</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 643	\$ -	\$ -	\$ 643
Annual	8,470	9,427	15,023	2,874
Band	2,908	5,160	5,834	2,234
Choir - Sunshine Inn	1,071	4,660	5,196	535
Class of:				
2008	412	-	-	412
2009	884	-	-	884
2010	599	-	-	599
2011	1,980	15	566	1,429
2012	-	5,347	3,697	1,650
2013	50	27	-	77
Dramatics - Senior High/Junior High	3,129	1,923	1,365	3,687
FCS Club	378	417	420	375
FFA	14,026	25,028	28,552	10,502
Fine Arts Special Projects	34,416	-	19,006	15,410
Interest Income	8,362	646	166	8,842
IV Baseball Camp	-	739	340	399
IV Boys BB Camp	1,918	1,173	1,963	1,128
IV Girls BB Camp	164	3,648	3,764	48
IV FB/Track Camp	4,997	9,610	7,627	6,980
IV Softball Camp	2,221	1,135	712	2,644
IV Girls VB Camp	1,402	1,405	2,648	159
JH Cheerleaders	132	-	-	132
HS Cheerleaders	1,850	5,631	5,281	2,200
Pep Club	4,298	3,937	3,229	5,006
Playground Project	373	-	-	373
Student Council - Elem	2,640	745	216	3,169
Student Council - HS	24,582	6,406	9,802	21,186
TAG - Special Project	4	-	-	4
Tiger's Eye	1,846	-	450	1,396
Tiger Pride Videos	473	-	-	473
Spanish Trip	(1,798)	1,770	-	(28)
Baseball	(4,770)	3,804	5,208	(6,174)
Basketball - Boys	3,335	3,882	2,898	4,319
Basketball - Girls	1,385	5,561	5,411	1,535
Football	10,255	10,966	12,578	8,643

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Golf - Boys & Girls	\$ 284	\$ 298	\$ 461	\$ 121
Softball	(4,699)	1,139	2,596	(6,156)
Track - Boys	10,309	2,677	1,720	11,266
Track - Girls	4,223	6,231	7,447	3,007
Volleyball	8,198	4,968	1,673	11,493
Wrestling	10,332	9,217	7,126	12,423
Special Events	12,112	16,553	9,123	19,542
Total	\$ 173,394	\$ 154,145	\$ 172,098	\$ 155,441

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 74,369	\$ 107,080	\$ 68,570	\$ 112,879
Inventory	466	-	466	-
Total assets	<u>\$ 74,835</u>	<u>\$ 107,080</u>	<u>\$ 69,036</u>	<u>\$ 112,879</u>
Liabilities				
Accounts payable	\$ 480	\$ -	\$ 480	\$ -
Due to other organizations	74,355	107,080	68,556	112,879
Total Liabilities	<u>\$ 74,835</u>	<u>\$ 107,080</u>	<u>\$ 69,036</u>	<u>\$ 112,879</u>

See accompanying independent auditor's report.

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 2,871,276	\$ 2,909,926	\$ 2,862,787	\$ 2,885,059
Tuition	180,459	137,108	144,967	104,244
Other	370,570	245,431	331,557	196,782
Intermediate sources	-	-	-	2,446
State sources	3,706,535	3,076,460	3,454,253	3,333,862
Federal sources	639,280	139,948	167,692	142,668
Total revenues	<u>\$ 7,768,120</u>	<u>\$ 6,508,873</u>	<u>\$ 6,961,256</u>	<u>\$ 6,665,061</u>
Expenditures:				
Instruction	\$ 4,209,453	\$ 4,197,956	\$ 3,954,208	\$ 3,682,576
Support services:				
Student services	108,882	103,449	173,914	131,993
Instructional staff services	109,409	135,641	139,136	148,739
Administration services	555,607	571,429	587,083	666,380
Operation and maintenance of plant services	427,319	452,735	450,607	441,493
Transportation services	171,180	139,114	128,764	141,463
Non-instructional programs	5,250	5,250	4,551	4,204
Other expenditures:				
Facilities acquisition	786,723	405,655	307,315	78,732
Long-term debt:				
Principal	175,000	170,000	165,000	160,000
Interest and fiscal charges	80,895	86,115	91,140	95,465
AEA flowthrough	257,542	257,003	229,080	215,770
Total expenditures	<u>\$ 6,887,260</u>	<u>\$ 6,524,347</u>	<u>\$ 6,230,798</u>	<u>\$ 5,766,815</u>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	2,672,973	\$ 2,260,877	\$ 1,999,518
	159,160	127,401	133,010
	445,902	347,904	307,765
	-	-	-
	3,145,971	3,140,564	2,906,807
	138,600	151,901	154,165
	<u>\$ 6,562,606</u>	<u>\$ 6,028,647</u>	<u>\$ 5,501,265</u>
\$	3,960,891	\$ 3,967,370	\$ 3,685,635
	198,377	192,850	196,432
	144,168	86,402	216,939
	658,850	649,443	580,017
	431,878	436,270	407,681
	232,534	204,699	150,272
	4,604	16,078	21,568
	228,212	75,276	5,261
	155,000	155,000	155,000
	100,115	104,765	109,415
	203,803	198,574	189,855
	<u>\$ 6,318,432</u>	<u>\$ 6,086,727</u>	<u>\$ 5,718,075</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 15,184
National School Lunch Program	10.555	FY 11	90,887
National School Lunch Program (non-cash)	10.555	FY 11	21,487
			<u>127,558</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 10 G	21,631
Title I Grants to Local Educational Agencies	84.010	FY 11 G	25,553
Title I Grants to Local Educational Agencies	84.010	FY 11 GC	9,044
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	21,201
			<u>77,429</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 11	<u>154</u>
Advanced Placement Program	84.330	FY 11	<u>114</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>22,483</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>3,998</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	238,708
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	30,438
			<u>269,146</u>
Education Jobs Fund	84.410	FY 11	<u>81,452</u>
Grant Wood Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	32,443
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	87,645
			<u>120,088</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency (continued):			
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>3,565</u>
Total			<u>\$ 705,987</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Iowa Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Iowa Valley Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Valley Community School District and other parties to whom Iowa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 24, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Iowa Valley Community School District:

Compliance

We have audited Iowa Valley Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Iowa Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Iowa Valley Community School District's management. Our responsibility is to express an opinion on Iowa Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Valley Community School District's compliance with those requirements.

In our opinion, Iowa Valley Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Iowa Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Iowa Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal controls over compliance that we consider to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Valley Community School District and other parties to whom Iowa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 24, 2012

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA Special Education – Grant to States, Recovery Act
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Valley Community School District did not qualify as a low-risk auditee.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Student Activities – We noted in our testing of fundraising activities in the Special Revenue, Student Activity Fund that no fundraiser reconciliation was prepared for an item we selected for testing.

Recommendation – The District has a requirement that all clubs participating in fundraising activities prepare a reconciliation of revenues to expenditures and other uses and determine that a proper profit margin has been attained and to account for any unused fundraiser inventory. This process protects the underlying assets and ensures that all fundraisers are proper and approved. This requirement should always be enforced by District management and consequences should be enacted for clubs not following the proper procedures.

Response – We are working on resolving this situation through education of club sponsors. We will consider the proper way to enforce this requirement.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.

IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Swift, Board Member Owner of Brown’s True Value Hardware	School supplies	\$6,853

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was greater than \$2,500 for the fiscal year.

Recommendation – The District should contact legal counsel for advice toward the best resolution of this situation.

Response – These types of supplies are hard to purchase in Marengo due to the limited number of vendors and would be more expensive to purchase elsewhere. We will look into this situation in the future.

Conclusion – Response accepted.

IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment – We noted an overclaim of 2 students in the basic enrollment data certified to the Department of Education.

Recommendation – The District should contact the Department of Education and Department of Management regarding this error.

Response – We will take the necessary actions regarding this error.

Conclusion – Response accepted.

IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-11 Certified Annual Report – We noted no significant deficiencies in the amounts reported on the Certified Annual Report. However, the report was not certified to the Iowa Department of Education on a timely basis.

Recommendation – In the future, the District should certify the Certified Annual Report in a timely manner.

Response – We will try to certify our Certified Annual Report in a timely manner in the future.

Conclusion – Response accepted.

IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	747,594	
Revenues:				
Sales tax revenues	\$	498,786		
Interest		109,245		
Other local revenues		<u>1,977</u>	<u>610,008</u>	
Expenditures/transfers out:				
School infrastructure construction		664,902		
Equipment		<u>98,447</u>	<u>763,349</u>	
Ending balance		\$	<u><u>594,253</u></u>	

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-11 Financial Condition – At June 30, 2011, the District’s business-type activities had deficit unrestricted net assets of \$17,386, and the District’s Enterprise Fund, Preschool had unrestricted deficit net assets of \$41,067.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the business-type activities and enterprise funds to sound conditions and insure that individual student activity accounts are monitored more closely.

Response – We will investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.